#### VSMART ACADEMY CA Jai Chawla **CA INTER** COVID - 19 AS 1 - DISCLOSURE OF A/C POLICIES **9** 7887 7887 05 Most Recent Updates **Most Recent Videos** Subscribe Join us smart Academy channel Meaning of **Basic Requirement of** "Fundamental Accounting **Selection of** Accounting Policy Assumptions" **Accounting Policy AS - 1** • Specific Accounting Consistency **Principles &** Going **Consider Following 3 Principles All Significant** Accrual Disclosure Such the Methods of applying A/c Policies Concern to select any A/c Policy for **Disclosure** shall be made those Principles any Transaction or event adopted by in One Place shall form part Adopted by enterprise in entities should **Business will run Entity has Financial** of Financial **Preparation & Presentation** be Disclosed For Foreseeable followed same A/c statements are **Statements** of Financial Statements **Future** prepared as per Materiality Under Policies which it **Substance over Prudence** had Followed accrual Basis not Financial Legal form as cash Basis in the last year So that users can **Statements** Without the **Examples:**disclosure disclosure is **Undentand &** Always Consider Select the A/c A/c Policy should generally made of A/c Policies, Analyse the the Substance of Policy bared be such that it 1) Inventories Valuation 1) No Specific disclosures are required if above in "Notes to **Financial Financial Should Consider Transaction not** Method on Material fundamental A/c Assumptions are Followed Accounts & Statements & take **Statements are** Fore seeable its Legal Form FIFO, Weighted Arg. **Facts** Significant **Proper decisions** treated as **Losses or outflows** 2) If Fundamental A/c Assumption are not A/c Policies incomplete 2) Cash Flow Statement of future followed by entity than Fact Should be disclosed. Statements" **Presentation -Direct Method & Indirect Method 5** Change in Accounting Policies 3) Depreciation Method SLM or WOV etc. Entity can change its A/c **Effect of change** Policy when any one out of in A/c Policy three Conditions are Satisfied:-(2) (3) Material in Non-Material **Adoptions of** Change in A/c **Adoptions of** Current in current Period different A/c **Policy would** Period but Ascertainable different A/c **Policy is requited** result in more **Policy is because** in later Periods by Law/Statue appropriate of Coruplaince Amt not Amt presentation with Accounting **Fact of Such Ascertained Ascertained** of Financial Standards change in later Statements. Requirement Period should **Amount to be** Fact of **COVID - 19** be disclosed in non-ascestainable disclosed **Current Period** should be disclosed

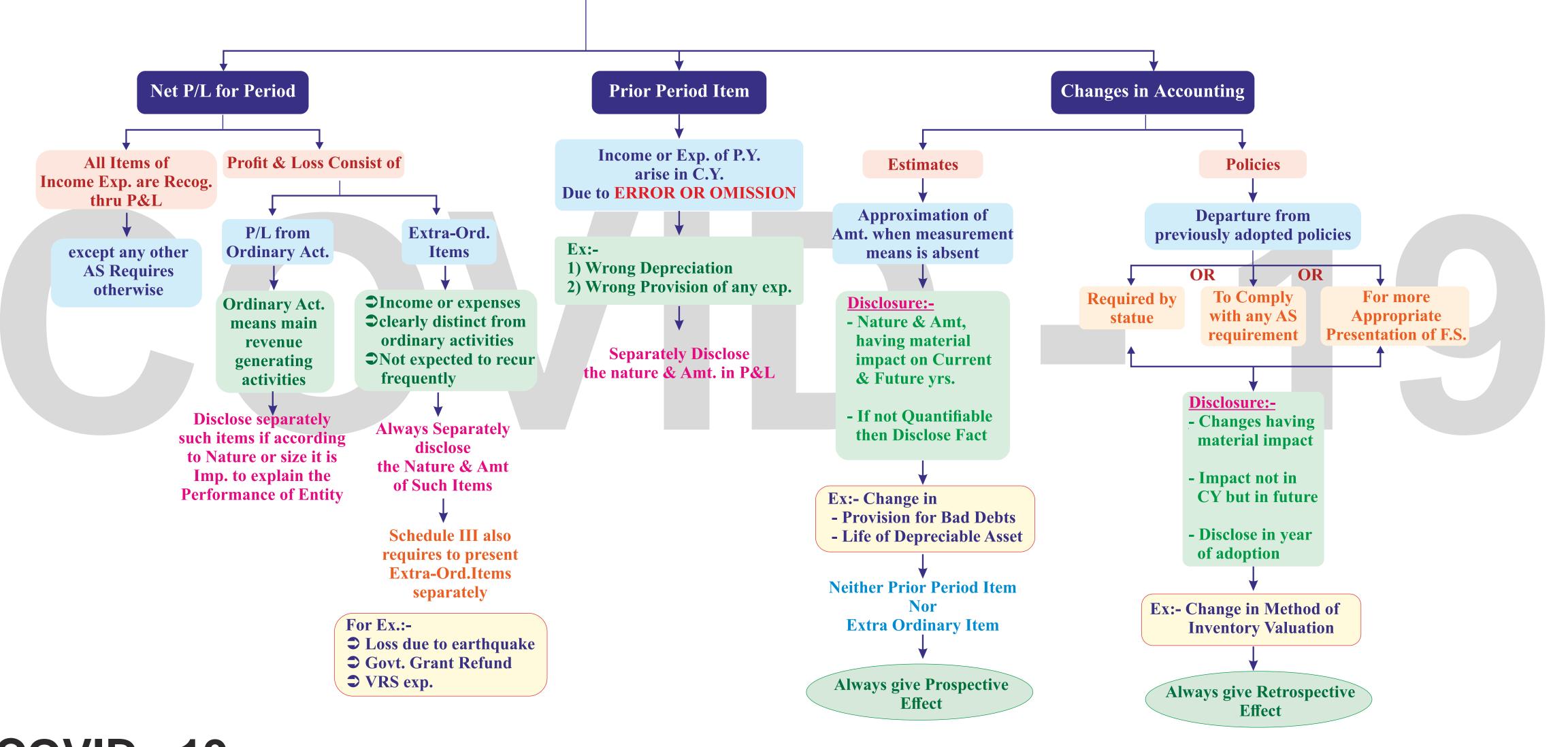
#### **SMART** A Jai Chawl **CA INTER** AS 2 - INVENTORIES **COVID - 19** 9 **Most Recent Videos** Measurement Non- applicability Special Cases Meaning How to Identify cost? When an Inventory of Inventory Recognized as an expense? An Asset 1) Trade Dis. vs. Cash Discount **Depends on** 1) WIP under Construction **Held for** In Proces **Materials Nature of Inventory** contracts (AS-7) Lower of Sale in or Supplies **Not Consider** Consider **Ordinary Production** to be When capitalized COGS When 2) WIP for Service Providers for Sale Consumed to PPE course when 2) Conversion of PPE into Inventory reduced **Such as Software Development** in Production of Buss. (WIP) Not ordinarily actually to NRV **Consultancy, Medical Services** (F.G.) (Rm) Interchangable sold When such PPE is sold regularly after using in the ordinary course of business Depreciation 3) Shares, Debentures & other **Specific Identification** Secaeities held on stock in Trade Method Sale of such PPE shall be booked as (Cost sheet of each sale of Inventory on Gross Basis 4) Livestock, Agriculture & & every inventory 3) Spares/Tools/Equipments used in PPE **Forest Products & Mineral** shall be taken into Oils, ores & gases. consideration) (They are measured at NRV) If they does not fulfil If they fulfills **Ordinarily** the criteria of AS -10 criteria of AS -10 Interchangable Then treated as PPE, OR **Expenses & Inventory** Historical Non-Historical may be **COST** as per AS 2 a separate component Approach Approach **Purchase Price + Estimated SP** if amount is material **Conversion Cost + Other Cost** (-) Cost to Sale Retail **Standard Cost Allocation of Cost to Joint Products Estimate NRV** WAC FÍFO price How to Use? Standard price of & By-Products **Best evidence:-Prod OH** Labour Sale event **How to Use?** a) Material after BS date SP is to be b) Labour Variable **By Products Fixed Joint Products** NRV of Raw material adjusted with c) O/H OH $\mathbf{OH}$ not measurable GP% are taken and they are regularly **Allocate the total Cost** 1) Measure by When to Use? Allocation Allocation on reviewed based on of Conversion in ratio of **Products at NRV** when there are on Actual Normal revised prices relative Sales Value either at 2) Now this value is If NRV of wide variety Capacity basis Capacity basis If NRV of 1) Stage of Production Process **deducted from Cost** of Products with FG is Lower When to Use:-FG is higher except when always when Products becomes of Main Product similar margin **Cost records are Actual production** than Cost **Separately Identifiable** maintained properly & is more than Measure RM at Or every product is having Measure Normal **Replacement Cost** 2) at the Completion of In that case use RM at diff profit margin COVID - Agail Capacity Production **Actual Cost**

#### VSMART **CA Jai Chawla** C AS 4 - Contingencies and Events occurring **©** 7887 7887 05 Most Recent Videos Subscribe smart Academy channel Most Recent Updates after the Balance Sheet date. **Types of Events** Meaning **Treatment Non- Adjusting Event Non-Adjusting Event Adjusting Event Adjusting Event** Those that **Conditions not** Adjust Related **Only Disclosure is** 31/06/20xx 01/04/20xx31/03/20xx Assets/Liabilities Required in provides evidence existing on BS date **Beginning of FY BS** Date FS approved by BOD of Conditions Notes to A/C existing on BS date Second Effect on Instead, New P&L a/c **Condition arise** If any event occured during this period Occurrence of after BS date then Fin. Effect of these events shall be event confirms the adjusted or disclosed on BS date. condition already existing on BS date 1. Insolvency of a Debtor 2. Reduction in Value of Investments 5 Some Special Cases 3. Fire occured in the premise resulting losses Examples **Going Concern affected Dividend Declared Adjusting Event Non- Adjusting Event** after BS Date due to occurence of Non-Adjusting event 1. Reduction in the Value 1. Insolvency of Debtors **Treat Contingent** of Investments 2. Litigation Settlement after the Liab. on BS date & **Treat Adjusting** 2. Fire occurred in the premise **Reporting Date for Event** disclose on BS Date Event & Adj the all the Assets & **Occurred before Reporting Date** Liabilities at 3. Detection of Fraud or Realisable Value **Error after Reporting Period COVID - 19**

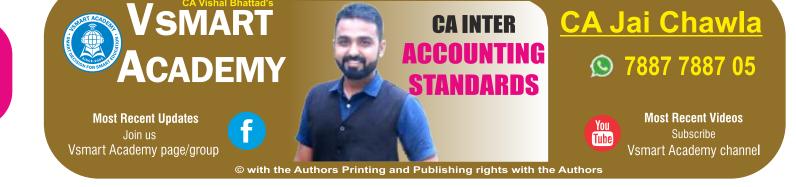
#### VSMART **CA Jai Chawla** C AS 4 - Contingencies and Events occurring **©** 7887 7887 05 Most Recent Videos Subscribe smart Academy channel Most Recent Updates after the Balance Sheet date. **Types of Events** Meaning **Treatment Non- Adjusting Event Non-Adjusting Event Adjusting Event Adjusting Event** Those that **Conditions not** Adjust Related **Only Disclosure is** 31/06/20xx 01/04/20xx31/03/20xx Assets/Liabilities Required in provides evidence existing on BS date **Beginning of FY BS** Date FS approved by BOD of Conditions Notes to A/C existing on BS date Second Effect on Instead, New P&L a/c **Condition arise** If any event occured during this period Occurrence of after BS date then Fin. Effect of these events shall be event confirms the adjusted or disclosed on BS date. condition already existing on BS date 1. Insolvency of a Debtor 2. Reduction in Value of Investments 5 Some Special Cases 3. Fire occured in the premise resulting losses Examples **Going Concern affected Dividend Declared Adjusting Event Non- Adjusting Event** after BS Date due to occurence of Non-Adjusting event 1. Reduction in the Value 1. Insolvency of Debtors **Treat Contingent** of Investments 2. Litigation Settlement after the Liab. on BS date & **Treat Adjusting** 2. Fire occurred in the premise **Reporting Date for Event** disclose on BS Date Event & Adj the all the Assets & **Occurred before Reporting Date** Liabilities at 3. Detection of Fraud or Realisable Value **Error after Reporting Period COVID - 19**

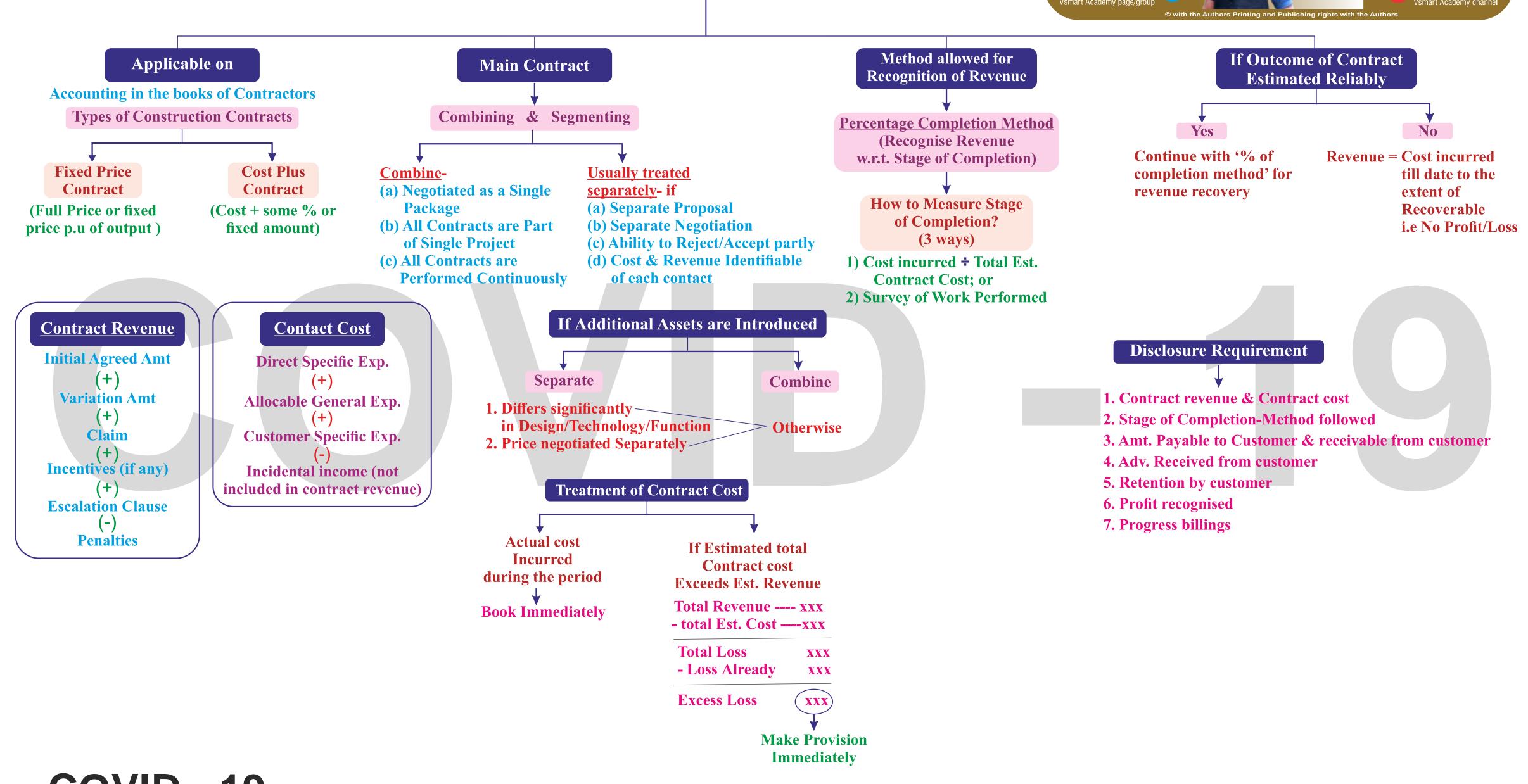
# AS-5 Net Profit or loss for the period, Prior period items & Changes in Accounting policies

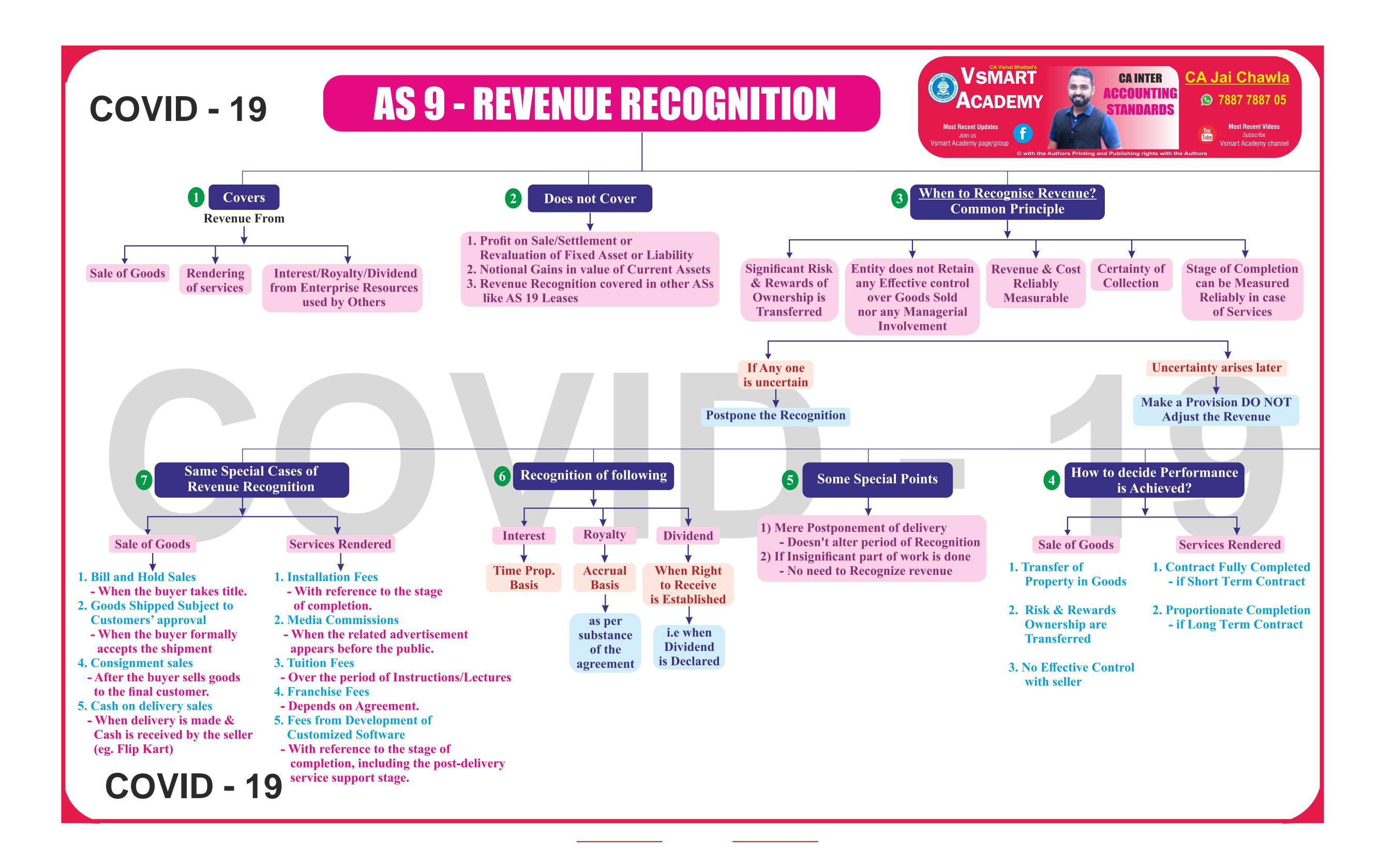


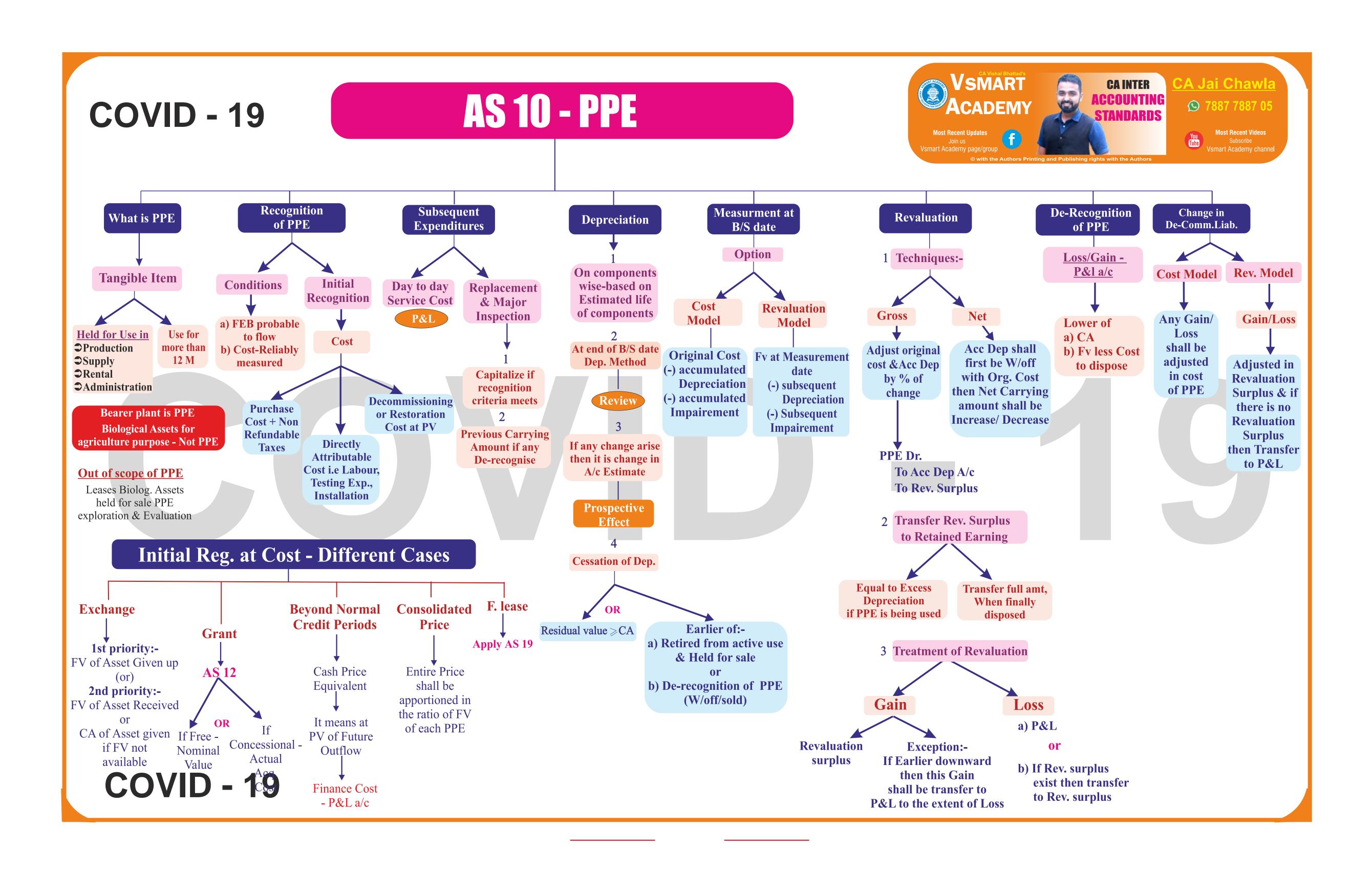


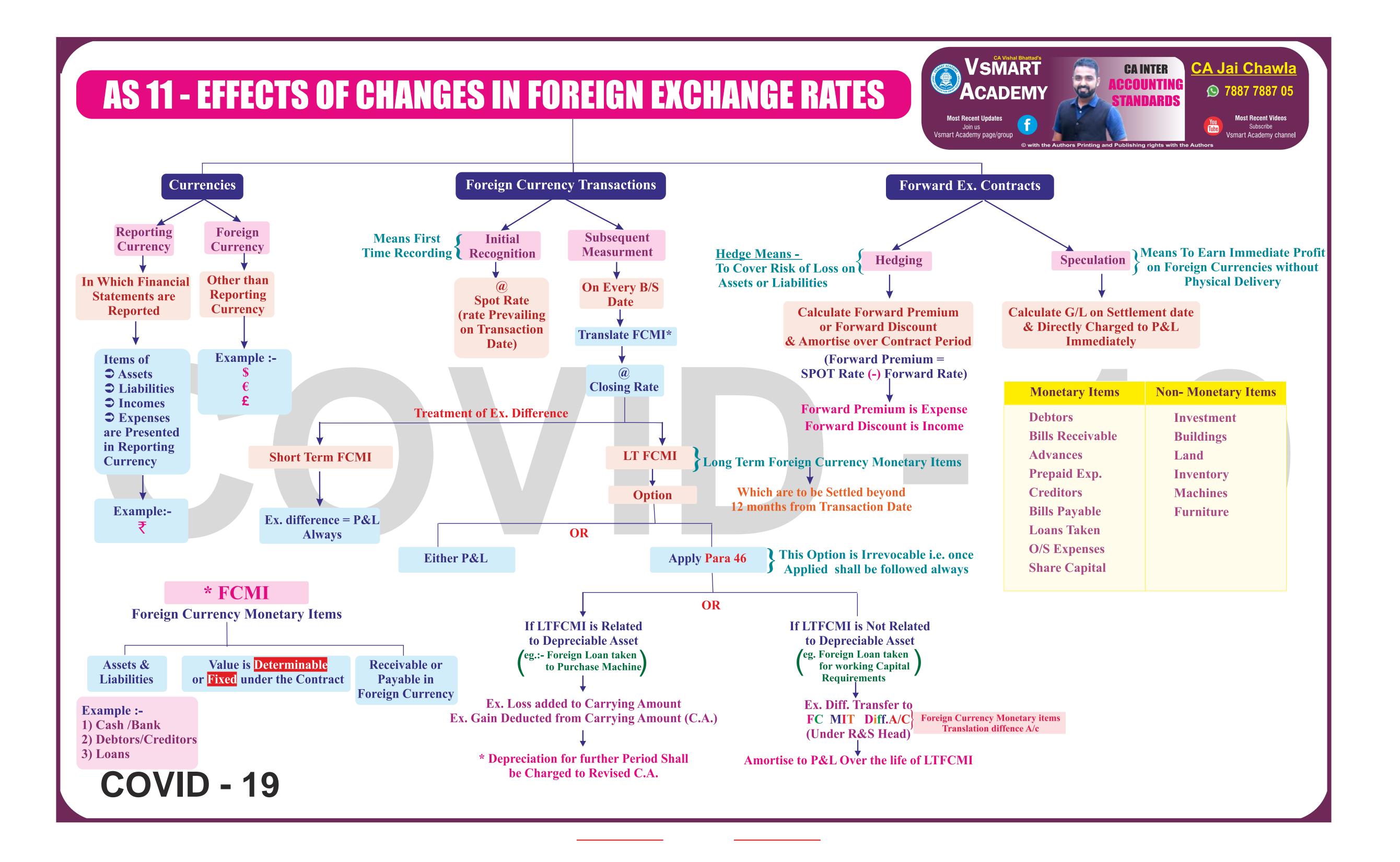
# AS 7 - CONSTRUCTION CONTRACTS

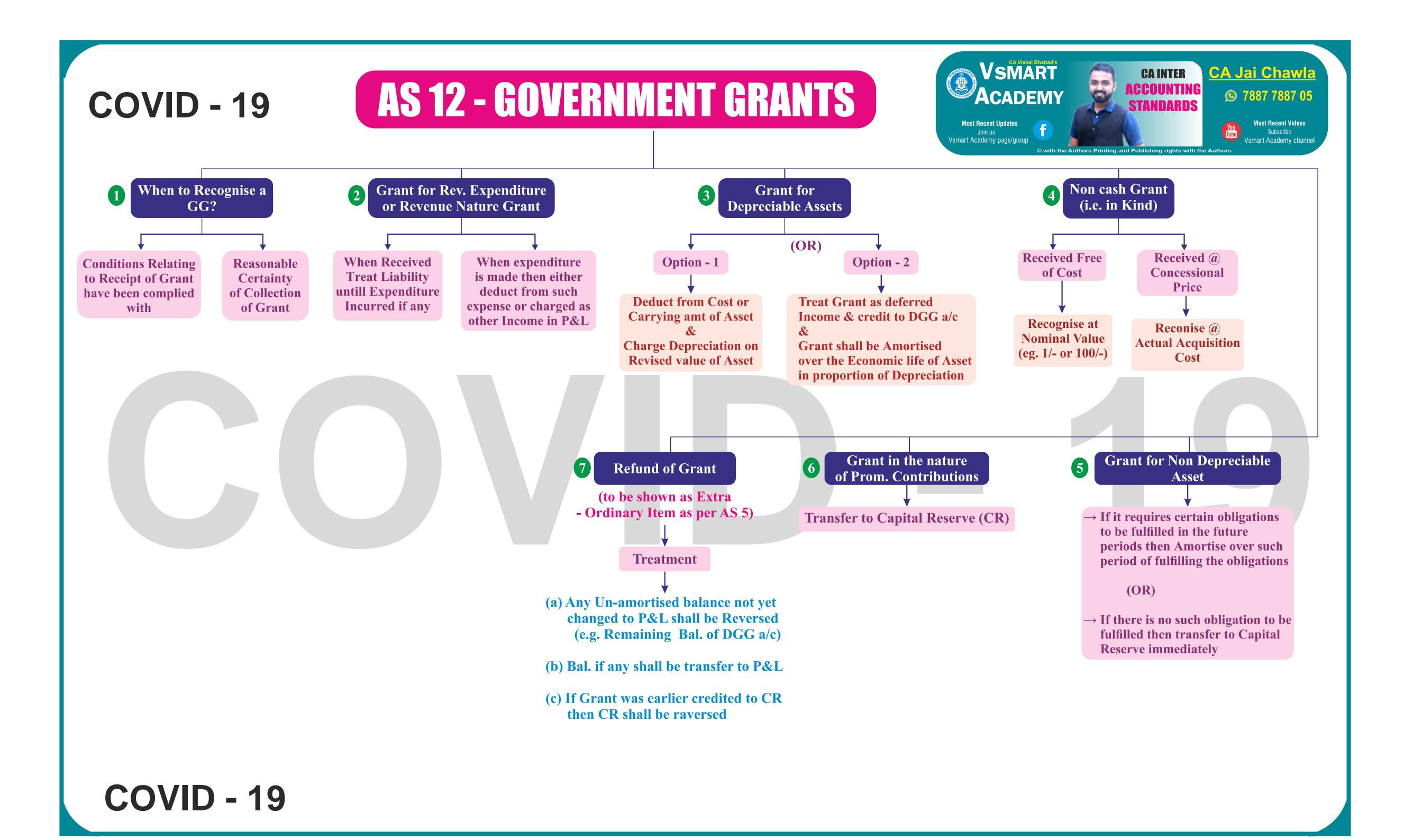


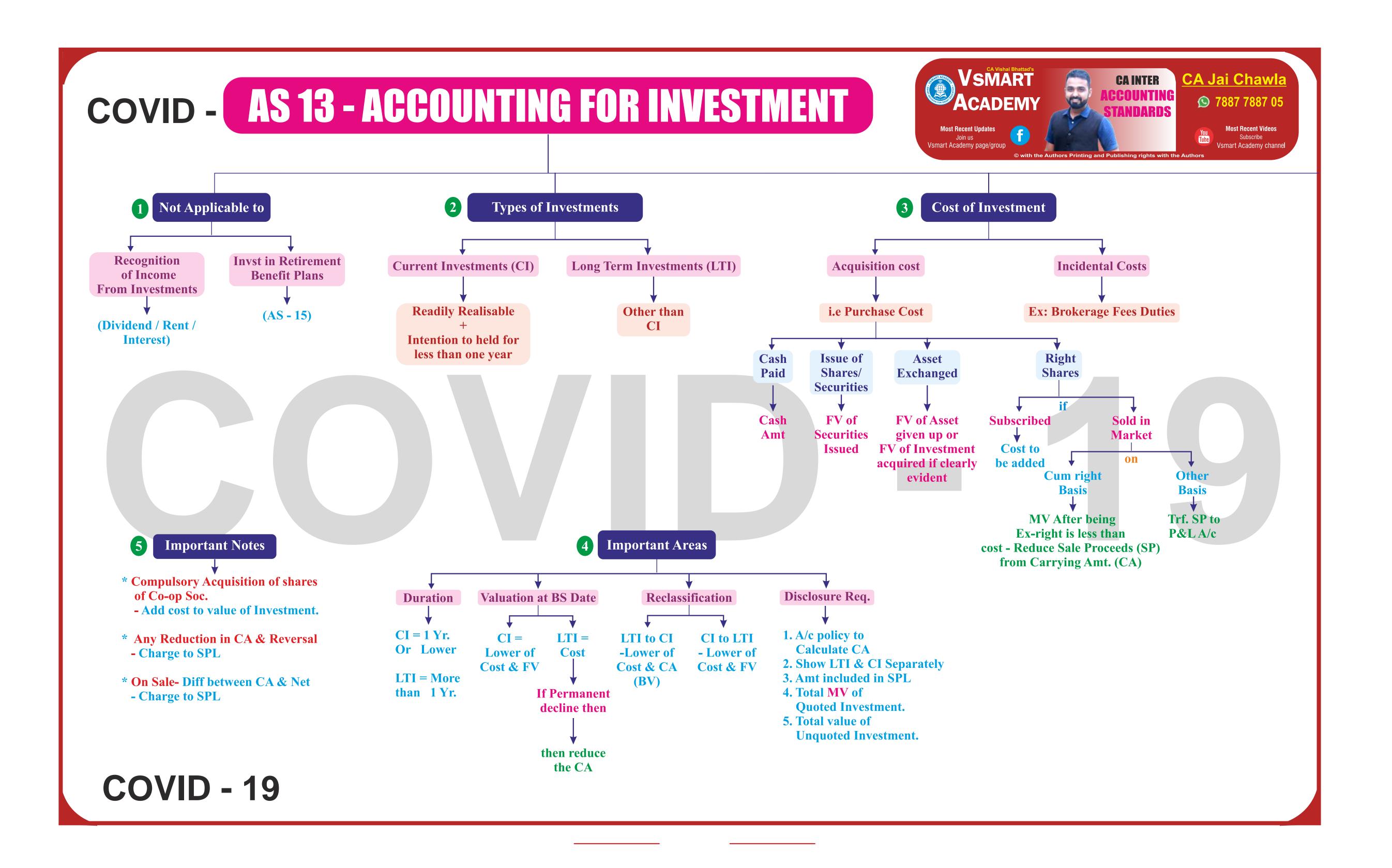


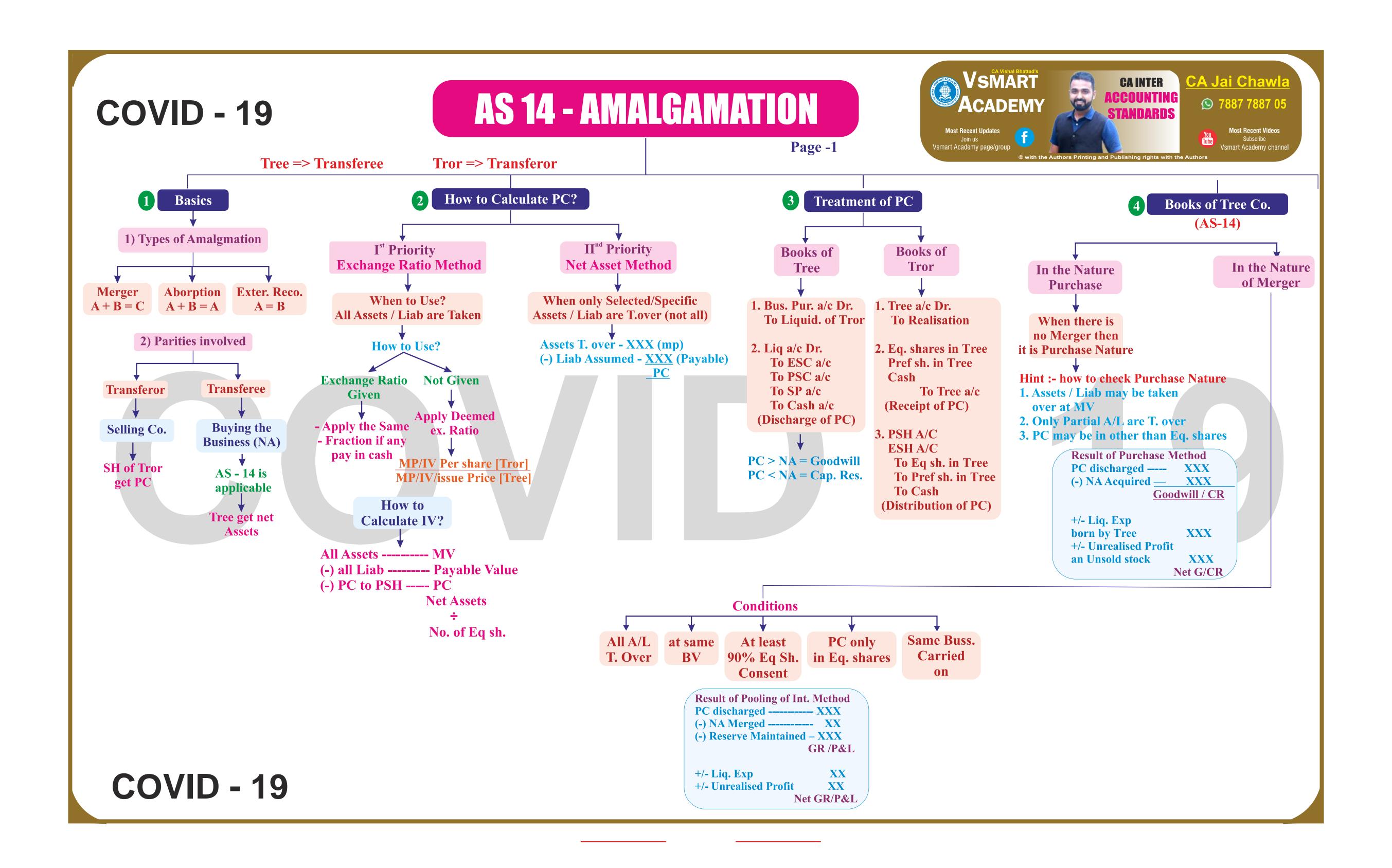


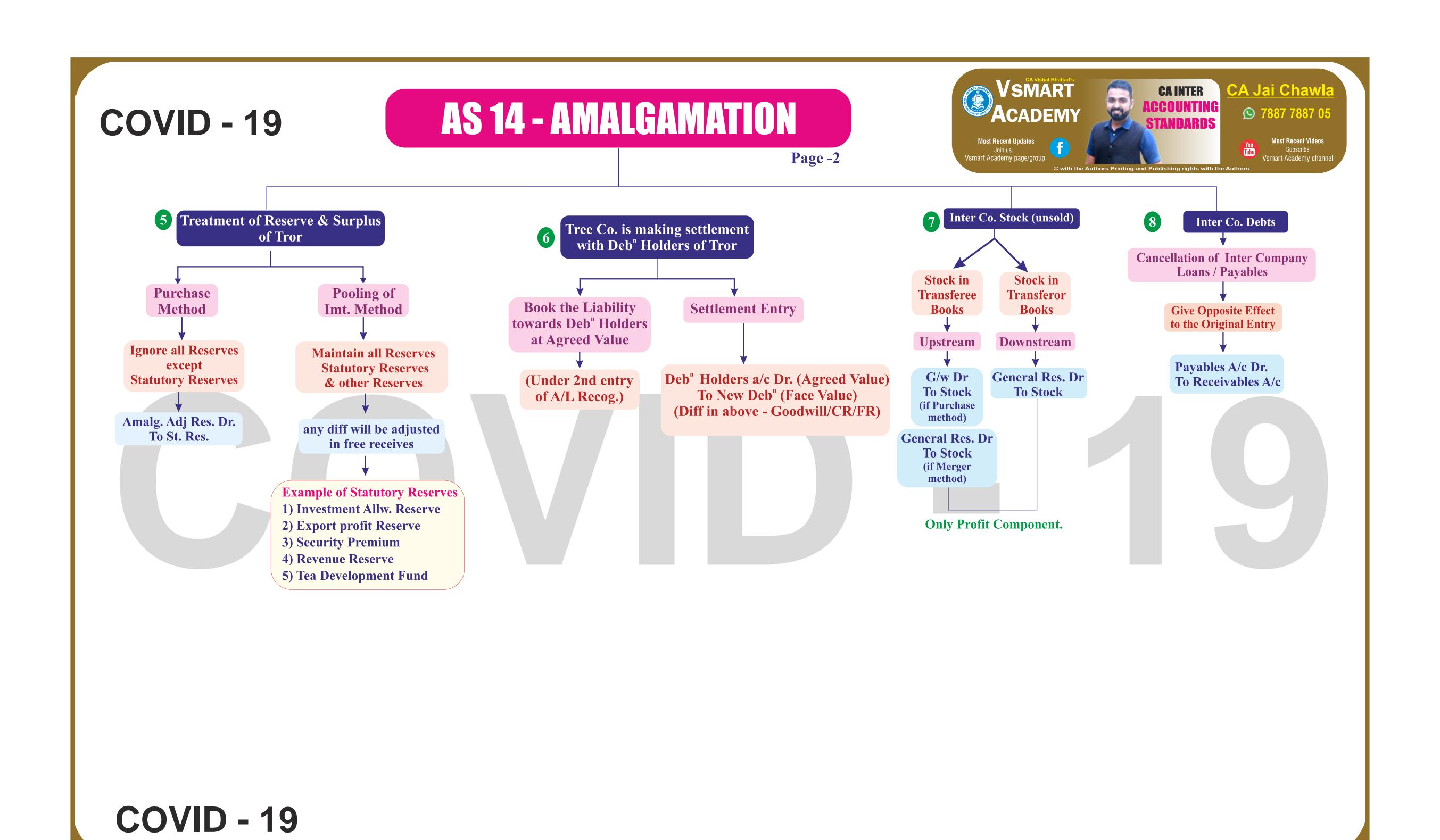












# AS 16 - BORROWING COST





Incurred in Relation to Arrangement of Funds, it includes -(a) Interest Cost (b) Other Costs

#### **B.C.** Covers Exclusively

- 1) Interest Calculated as Per ERI (IndAS 109)
- 2) Finance Charges in Leases
- 3) Ex. Diff. to the extent of Saving in Interest on F.C. Loan\*
- 4) Ancilliary Cost Suchan Stamp Duty, Processing Fees - Amortised Cost
- 5) Discount on issue & Premium on Redumption of Debn Amortised cost

### \*Lower of :-

(a) Ex. Loss
OR
(b) Saving in Interest

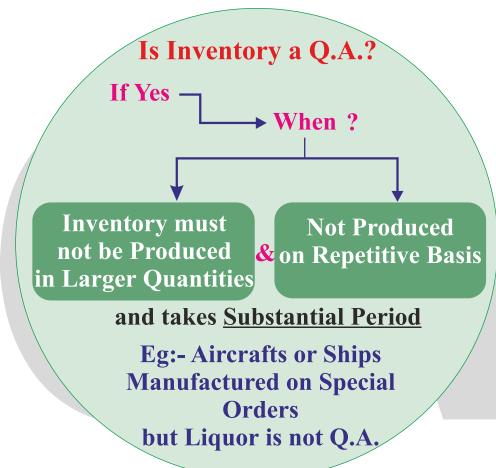
Qualifying Assets (Q.A.)

Any Asset

That takes
Substantial
Period\*\* of Time

To get
Ready
Use or Sale

**Eg:- IP/PPE/Intangible Asset (Software)** 



\*\*Subsantial Period: Generally 12months or more but a Lesser period can also be Substantial based on Facts & Circumstances

# Recognition of B.C.

in relation to:Acquisition (A)
Construction (C)
Production (P)
of Q.A., then
Capitalised
otherwise P&L

Suspension

**Commencement of** 

Capitalization

B.C. must

be

incurred

Expenditure

must be

incurred

on ACP

Necessary

**Activities** 

**Should be** 

in Progress.

Active Development is Interrupted
During Extended Period.
But When such Interruption is
Necessary for active Development
then No Suspension of Capitalization

### Cessation

A/C/P is Substantially Completed
If Completion takes place in Parts, then
Cessation for Such Part of QA only
when the Part is Capable of being
Used/Sold Separately

# Types of Borrowing Cost

Specific B.C.

One to One

One to Many

Capitalise B.C. to a Specific

Q.A. only

Relation of Q.A.

& Borrowing

To Capitalise
B.C. Calculate
W. Avg
Capitalisation
Rate

(or)

Many to Many

### Misc Provisions

Interest on Temp.
Investment of
Borrowed Funds

Deduction From Total Borrowing Cost before Capitalization & before Calculating W.A.C.R.

#### Total B.C. During the Year

Total Borrowings O/s During the Period (Take months as Weight)

What to do now when W.A.C.R. is Calculated?

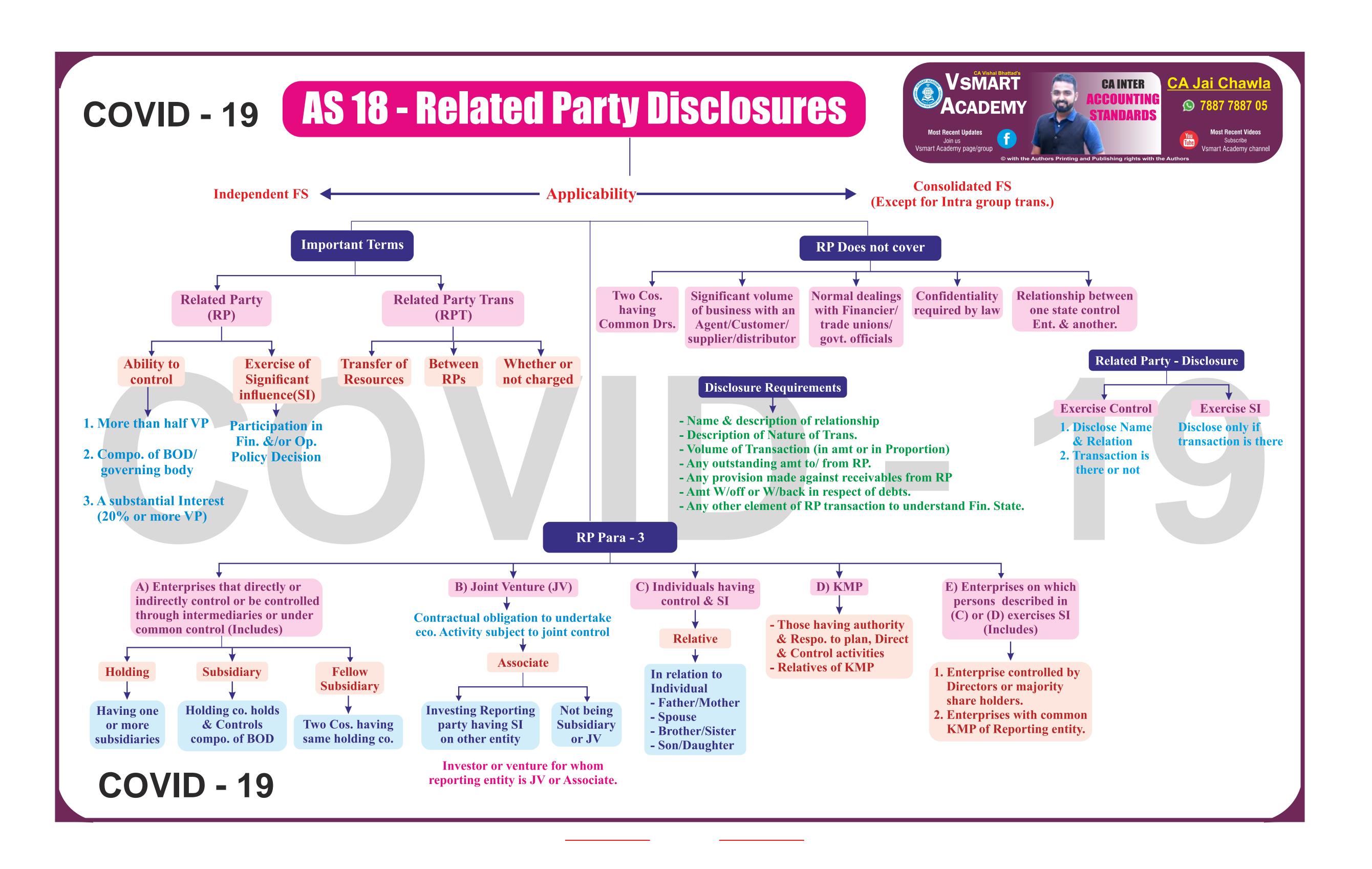
Expenditure on Q.A. X W.A.C.R. X Weight

Expenditure Incurred till last year
(Including BC Capitalised)
+ Cash Payment on Material & Lab. xxx
+ Non - Cash Exp. xxx
(-) Grant / Subsidy xxx
(-) Progress Payments Received if any xxx

XXXX

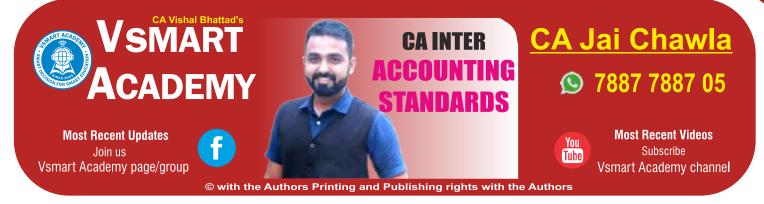
**V**SMART A Jai Chawl **CA INTER** AS 17 - SEGMENT REPORTING **COVID - 19 9** Most Recent Videos Subscribe Vsmart Academy channe How to Decide Primary or Secondary? Segment Check Dominant Source of Risk and Return (RR) RR Affected by Geographical **Business** Segment (GS) Segment (BS) Geographical \* Distinguishable Component & \* Distinguishable Component & **Product & Both** Location \* Individual Product or Service \* Product or Service services **BS=Primary** within Economic environment & **GS=Primary BS=Primary GS**=Secondary Important Terms **BS=Secondary** Independent Risk and returns **GS=Secondary** \* Related group of product or Services & \* Independent Risk and returns **Reportable Segment =** Segment Segment **Business Segment Wise** Revenue (SR) Expense (SE) **Geographical Segment Wise Includes Includes Excludes Excludes Disclosure Requirements** •Extraordinary Items 1. Directly Attributable Revenue 1. Directly Attributable Exp • Extraordinary Items Interest • Interest & Dividend 2. Allocable Exp from 2. Allocable Revenue from **Enterprise Common Exp.** (Unless Financing Business) **Enterprise Common Revenue** (Unless Financing Business) Reco. of Segment **Total** Segment External Segment Segment loss on Sale of Investment 3. Inter Segment Revenue Gain on Sale of Investment 3. Inter Segment Exp. & Enterprise Revenue •Income Tax Expense Revenue Result A/L Revenue •General Enterprise Expense Segment Asset (SA) Most Imp: (Para 27) (Same with Segment Liability) **How To decide Reportable Segment? Important Points:** 1) S. Revenue = 10% or more of All Segments · Any Segment which was reportable in PY bcoz of **Operating Asset** Revenue OR Para 27, such Segment shall be Reportable segment 2) Result= 10% or more of all in CY even though it does not **Segment in loss -**Fulfill Para 27 **Directly Attributable** whichever is • First time Reportable segment = Restate PY comparative info Segment in profit——higher OR x+ Reasonably Attributable 3) SA= 10% or more of all S. Assets **Note:** 1) DO NOT include DTA. External Revenue of = 75% or more 2) Take Advances and Investments Reportable Segment of Total External Revenue when interest or Dividend If No, is considered in revenue.

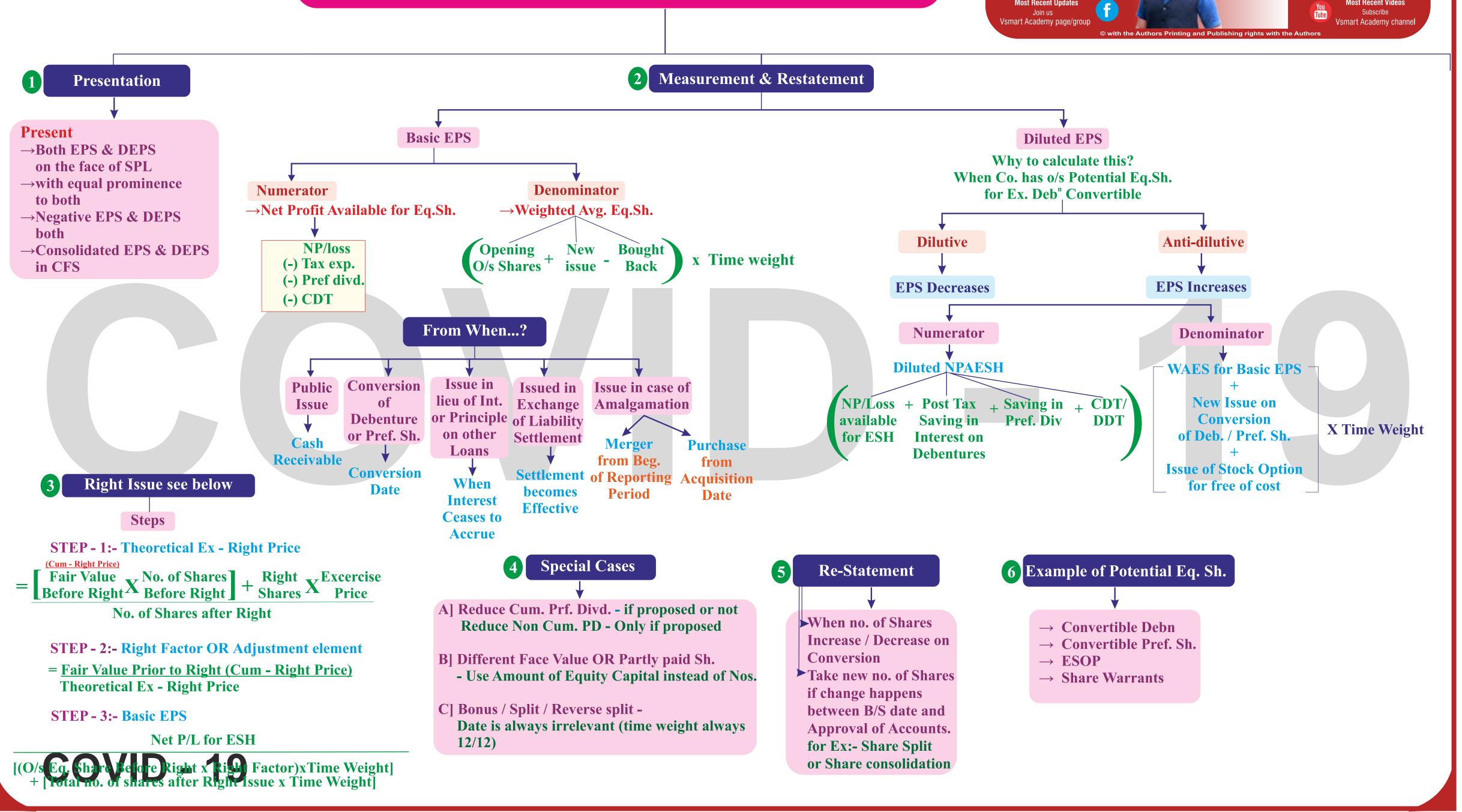
**Add more segments** 



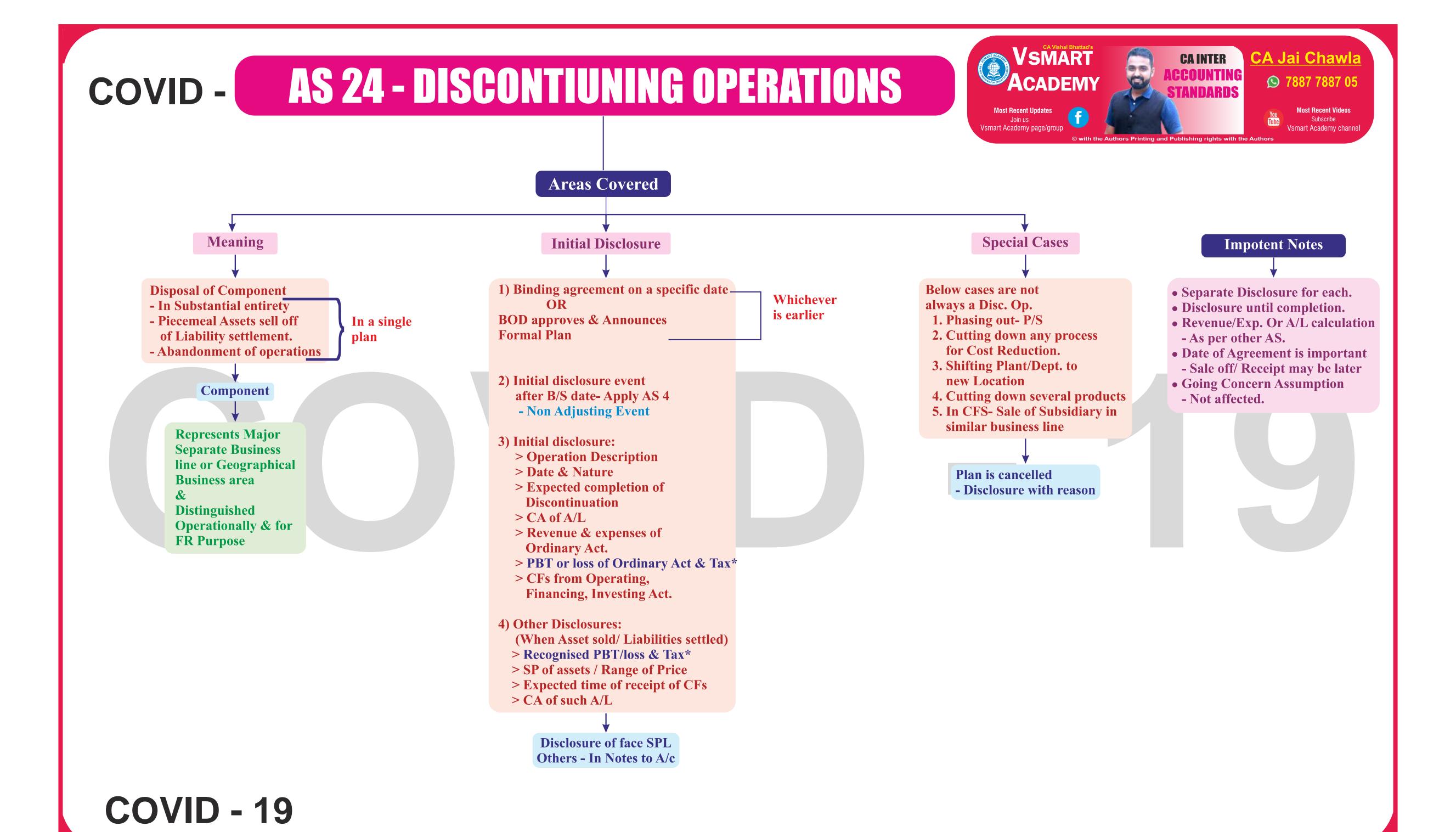
#### VSMART **CA Jai Chawla CA INTER** AS 19 - ACCOUNTING FOR LEASES **COVID - 19 ©** 7887 7887 05 Most Recent Videos Subscribe Vsmart Academy channel Most Recent Updates Join us /smart Academy page/group Sale and Lease Back **Common Terms Types** (Seller = Lessee) 1. MLP= Total LR + GRV + DP Finance Lease Back **Operating Lease Back Operating Lease Finance Lease** 2. GI = MLP + UGRV3. Unearned FI= GI less PV of GI **Defer & Amortise (D&A) Golden Rules Substantial Risk & Rewards** 4. Discount rate= **Total P/L over Lease Implicit Interest rate Transfer by Lessor to** Lessee Lessor **Term in Proportion of** Lessee **Depreciation** 1. Loss:- (CA - SP) 2. Profit 3. If FV < CA 1. Lease Payment 1. Show as Fixed Asset Always transfer to P&L **Indicators - (any One)** (SP - CA) then Recog. Loss **Expense in SPL** 2. Income - SLM Basis (if Loss is Compensated with 1. Trnf. of Ownership at end of **Immediately in** Bank a/c Dr. (Sale Value) 2. On SLM basis future Lease Payment then D&A) 3. IDC - Same as FL L. Term To Asset a/c P&L 2. Option to Purchase at Reduce 4. Charge Dep. **To Profit on Sale** 3. Major Economic Life Covered Upto above FV under L. Term Fair Value 4. Specialised Asset for Lessee, D&A can not be Used without Recog. **Major Modification Immediately** (SP-FV) 5. PV of MLP=Initial FV (FV- CA) **Disclosure Requirement** In The Books of Lessor Lessee Lessor Lessee 1. Recognise Leased Asset & **Non- Dealer** Mfr./ Dealer lease liability 2. Recognise at PV of MLP\* FL OL FL OL 1. Divide Total Profit into -1. Recognise Lease or FV (whichever is lower) Receivable at Net Invest. 1) Recog. of GI & PV 1) CA. of Each asset 1) Future LP 3. Apportion Lease rent in 1) Total Dep. 2) LP recognized of MLP 2) Imp. Loss 2) Recog. of MLPs & in Lease (NIL) PV of MLPs in P&L 2) Unearned FI **Selling Profit** \*FI 2. Recognise Finance Income (NIL - BV of Asset) 3) UGRV 3) Future MLPs (FI) as per Implicit Interest Principle **Finance** rate **⇒** Recognise Finance Charge 3. Initial Direct Cost Income (FI) as per \* **MLP - Min.** Lease Payment, **LR - Lease Rentals**, **⇒** FI - Finance Income 5. Charge Depreciation trf. to SPL OR **Implicit Interest rate ⇒** GRV / UGRV - Guaranteed / Unguaranteed Residual Value, **⇒** GI - Gross Investment 6. Initial Direct Cost-**○** Against FI over LT **⊃** Initial Direct cost -Add to Cost of Asset **⇒** LT - Lease Term **⇒** IMP - Impairment **⇒** IDC - Initial Direct Cost **Expense in SPL COVID - 19**

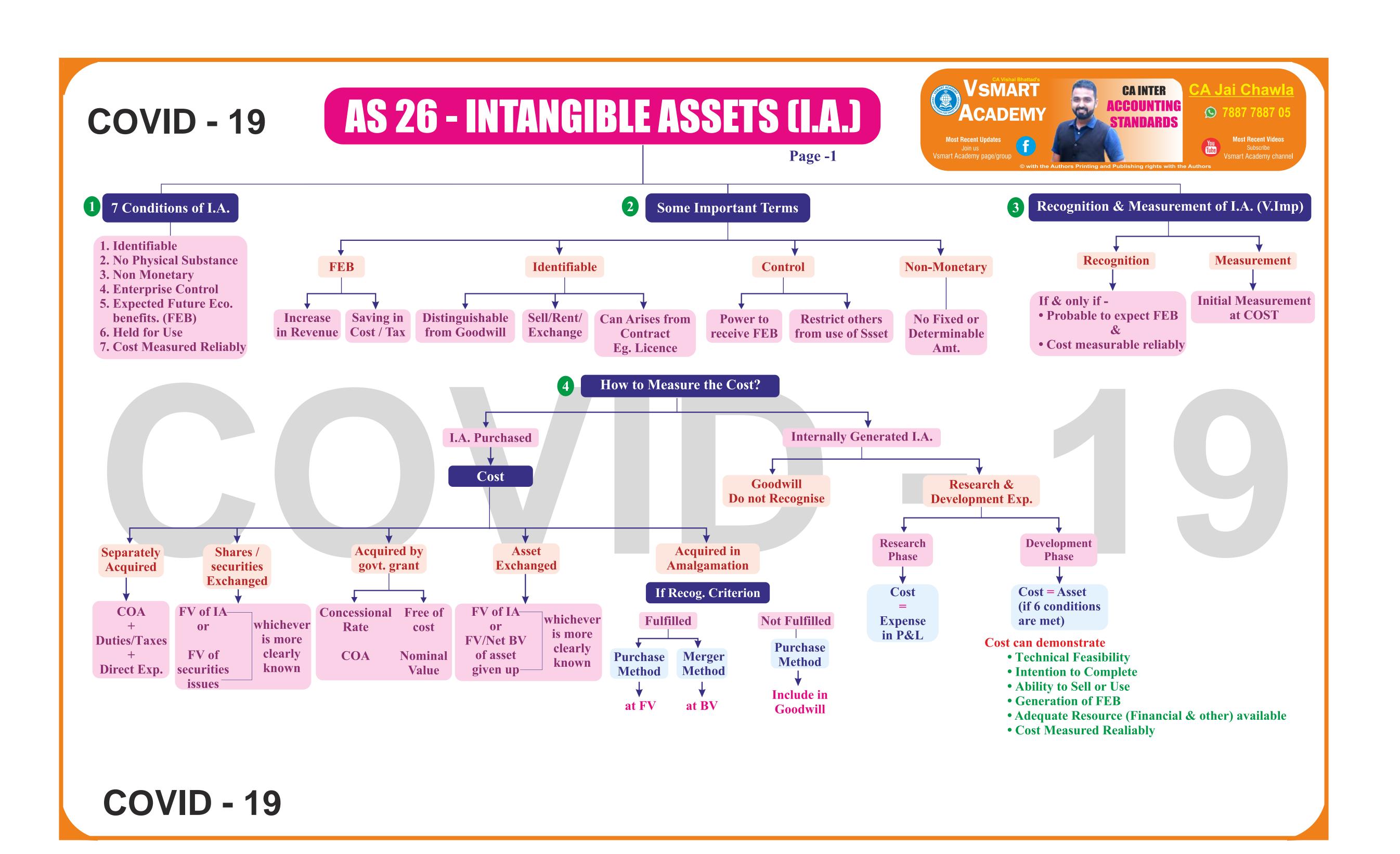
# AS 20 - EARNINGS PER SHARE

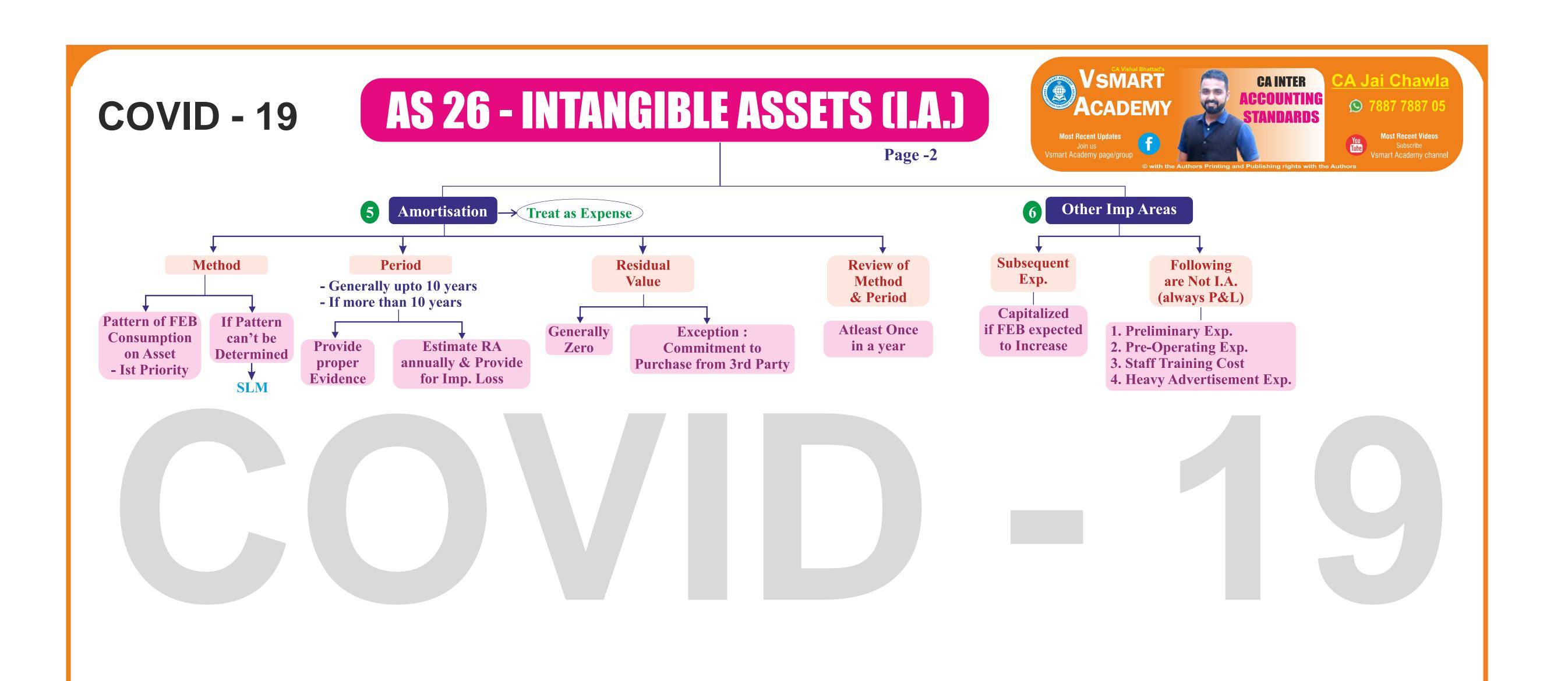


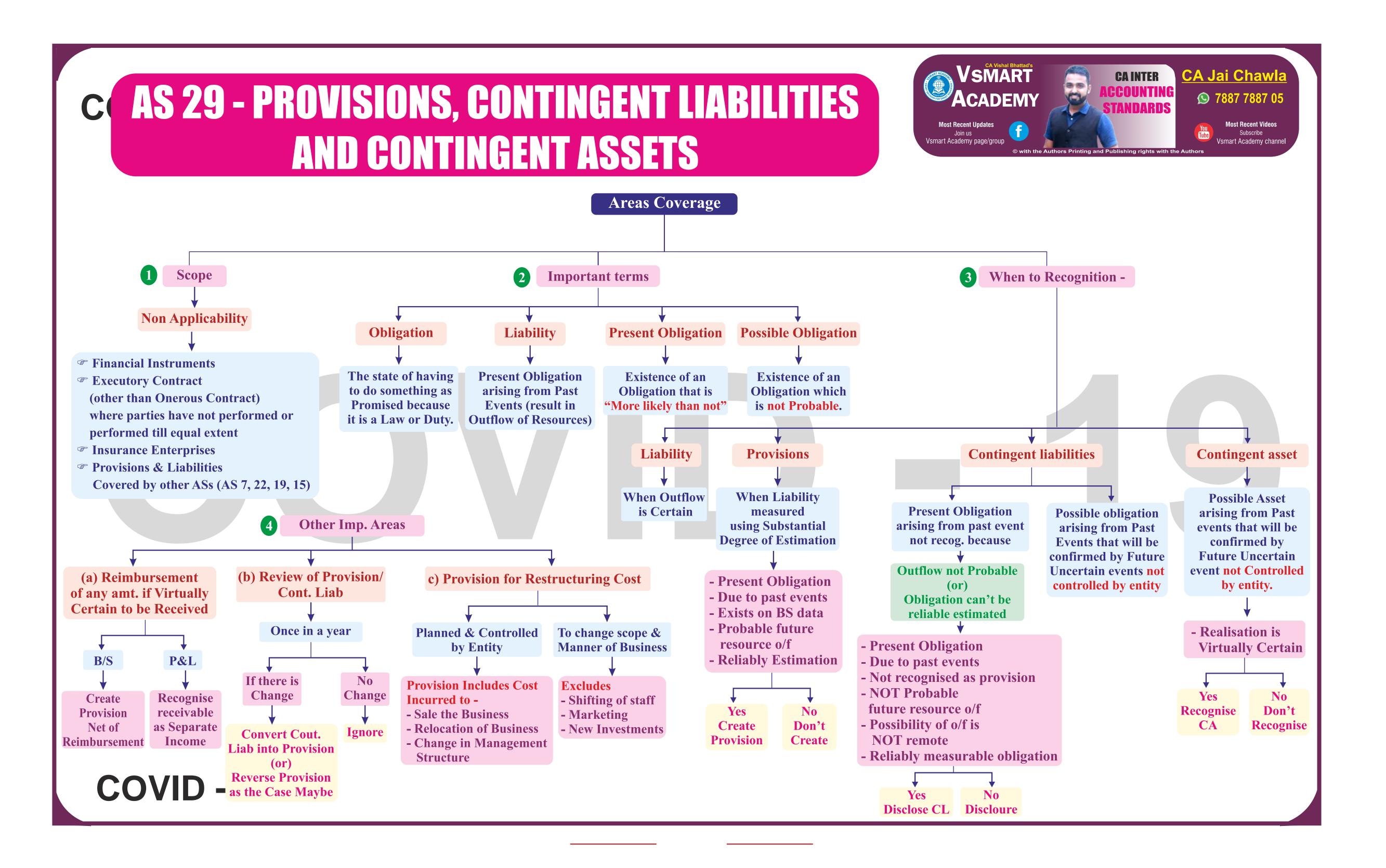


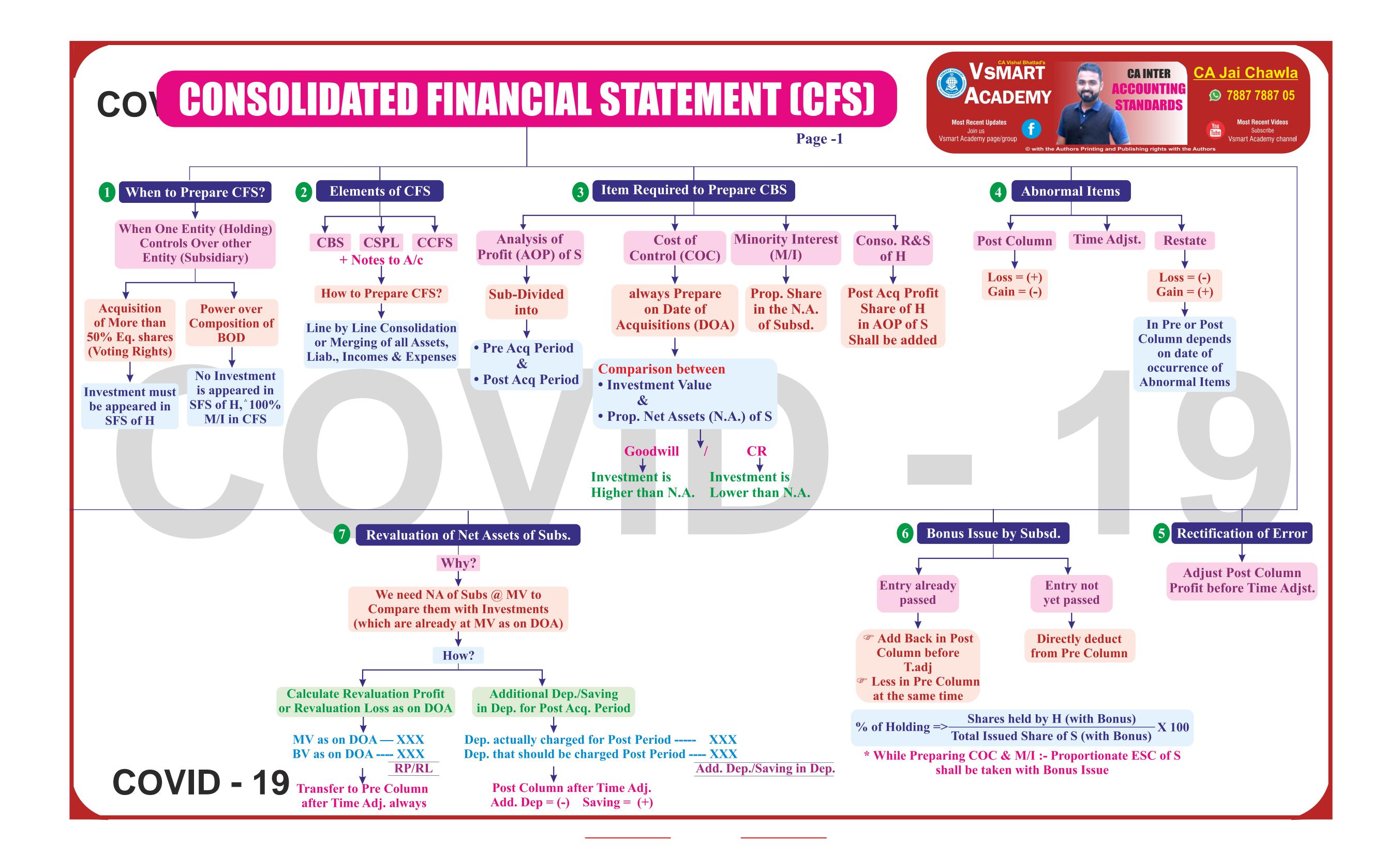
#### **VSMART** CA Jai Chawl **CA INTER** COVID - AS 22 - ACCOUNTING TAXES ON INCOMES **9** 7887 7887 05 Most Recent Videos Subscribe Vsmart Academy channe Most Recent Updates Types of Taxes (as per AS 22) Imp. Definitions 2 Difference between A/c Income & Taxable Income A/c income A/c Income **Current Tax Deferred Tax** and PBT as per PBT as per P&L a/c Permanent Diff. Timing Diff. books of A/c Arises in one perod Arises in one period & **Taxable Income** but no reversal in future to be reversed in future **CT** Asset CT Liab. **DTA** DTL Tax Calculated as per **Tax Law (IT Act, 1961) Examples: Examples: TDS Income Tax Tax Saving in Future** Tax Liab. of Future • Donations interest, • Bonus not yet paid (sec. 43 B) Adv. Tax payable for Current **Current Tax** • Penalty, I.Tax Contri. • Interest to nationalised bank & Previous years DTA ---- Dr To P&L A/c **P&LA/c** ---- **Dr** Tax on Taxable to national lab. • PF Contri To DTL Income Personal expenses • Govt. taxes P&L a/c Dr. DTA subject to below • Prov. for BD / Legal damages To CT/ Prov. for Tax **Deferred Tax** depreciation No DTA/DTL Para 15 items Para 17 Entity **Tax on Timing** has B/F Losses Difference other than B/F Losses & Unabsorbed Dep<sup>n</sup> & Unabsorbed Dep<sup>n</sup> Tax Exp. Check Reasonable Check Virtual Certainty CT + DTL - DTA with Convincing Evidence Certainty Create DTA Do not Create DTA Do not **Special Cases** 5 Other Areas **Presentation of CT & DT** Offsetting of Remember Tax holiday Period (THP) **Minimum Alternative Tax (MAT)** CTA & CTL / DTA & DTL (Sec 80 IA) 1. DTA/DTL - No discounting P&L No Impact on **Treatment of MAT** at Present Value **Possible If** Timing **DT Calculation** TD arise in THP Otherwise 2. Measurement at applicable After PBT Diff arise in **Not Possible** & to be Revered Tax Rate If MAT is more DTA/DTL CTA/CTL THP & for DT **Excess of MAT** after THP 3. Reviewed / Recalculated at • Entity has Legal than Regular Tax over Reg. Tax is Asset **Revered in THP** Calculation **Show Tax** each B/S date Right to set off Current Non **Expersp on** ignore -**Created &** Current (Short Term "MAT Credit Book Profit CT = MATIgnore - No DTA/DTA • Intention to Settle **Provision CTL** Receivable A/c" + DTL Recog of MAT DTA/DTL in the year as Net Basis **Other Current** - DTA Recog of Occurrence **Recognise if Recoverable** 1 Sessets - CTA COVID -+ DTA Reversal Mat Rate - DTL Reversal MAT Credit A/c Dr. To P&L

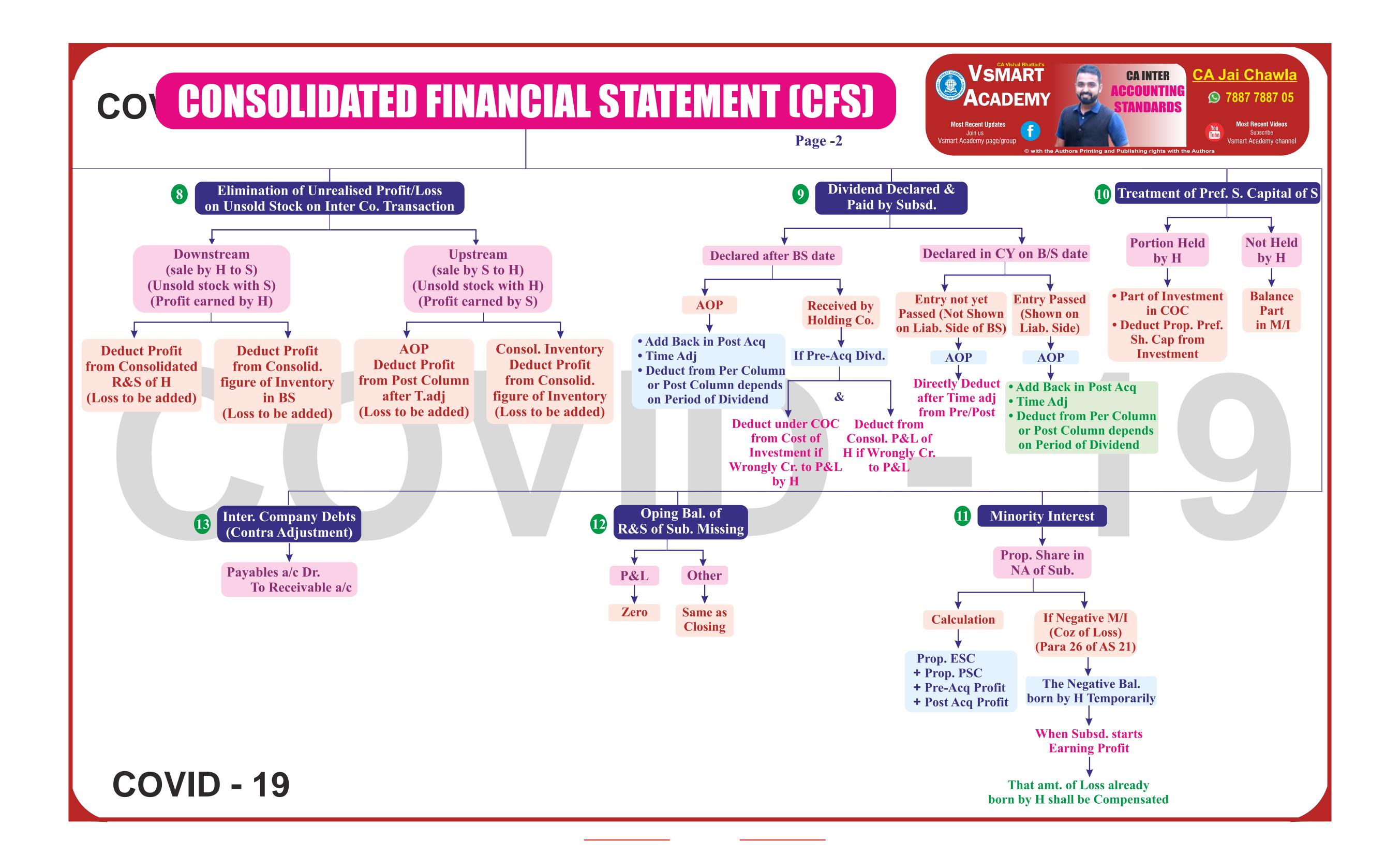












# FORMAT OF AOP

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ACCOUNTING

STANDARDS

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Particulars	Pre-Acq DOA	Post Acq	Total B/S Date
Balances of R&S	XXX	XXX (Bal. Fig.)	XXX
+/- Abnormal items elimination		(XX)	
+/- Bonus issue	(XX)	+XX (already entry Passed)	
+ Dividend Paid/ Declared		XX	
+/- Rectification of errors Bal. of R&S		XX 	
+/- Time Adjustment	XX	(XX)	
Balance	XX	XX	
+/- Abnormal items	XX	XX	
(-) Dividend	XX	XX	
+/- Revaluation of Assets	XX	XX (Additional Dep. saving in Dep)	
Balance	XX	XX	
+/- Elimination of unrealised P/L on Unsold stock (Upstream Transaction)		XX	
Final Balance	Holding's M/I's Share Shares	Holding's M/I's Share Shares	

